

Capital Improvements Program

Overview

The District of Columbia's Capital Improvements Program (the "Capital Program") comprises the finance, acquisition, development and implementation of permanent improvement projects for the District's fixed assets. Such assets generally have a useful life exceeding three years and cost more than \$250,000. The Capital Improvements Plan (CIP) document is a comprehensive, annually updated, six-year plan for the development, modernization or replacement of city-owned facilities and infrastructure. The CIP consists of the appropriated budget authority request for the upcoming fiscal year and projected funding/expenditure plans for the following five years. In most instances, the major portion of capital authority goes toward improvements or applicable activities associated with streets, bridges, government facilities, public schools, and recreational projects.

The text of the CIP is an important planning and management resource. It analyzes the relationship of projects in the capital budget to other developments in the District. It also describes the programmatic goals of the various District agencies and how those goals impact upon the need for new, rehabilitated or modernized facilities. Finally, it details the financial impact and requirements of all the District's capital expenditures.

The CIP is flexible, allowing project expenditures plans to be amended from one year to the next in order to reflect actual expenditures and revised expenditure plans. However, consistent with rigorous strategic planning, substantial changes in the program are discouraged. The CIP is updated each year by adding a planning year, and reflecting any necessary changes in projected expenditures schedules, proposed projects, and District priorities.

The CIP is used as the basis for formulating the District's annual capital budget. The Council, the Authority, and the Congress, adopt the budget as part of the District's overall six-year CIP. Following approval of the capital budget, Bond Act(s) and Bond Resolution(s) are adopted to finance the majority of projects identified in the capital budget. Inclusion of a project in a Congressionally adopted capital budget and approval of requisite financing gives the District the authority to expend funds for each project. The remaining five years of the program, called the "out-years," show the official plan for making improvements in District-owned facilities in future years.

Why A Capital Improvements Program?

A capital improvements program that coordinates planning, financing and implementing infrastructure and facilities in the District of Columbia is essential to meet the needs of a jurisdiction uniquely situated as the nation's capital. As mentioned previously, capital improvements are those which, because of expected long-term useful lives and high costs, require large amounts of capital funding. These funds are expensed over a multi-year period (usually six years) and result in a fixed asset.

The primary funding source for capital projects is tax exempt bonds. These bonds are issued as general obligations of the District. Debt service on these bonds (the payment of interest over the lifetime of the bonds) becomes one of the items in the annual Operating Budget and thus, a factor in tax rates and spending affordability.

Also, Congress sets certain limits on the total amount of debt that can be incurred (currently 17.0% of general fund revenues) in order to maintain fiscal stability and good credit ratings. As a result, it is critical that the Capital Improvements Plan balance funding and expenditures over the six-year period so that the fiscal impact on the annual Operating Budget will not weigh too heavily in any single year.

Principals of the Capital Improvements Program

Several budgetary and programmatic principals are invested in the CIP. It is the responsibility of the Capital Program to ensure that these principals are followed. Some of the most important principals are:

- To build facilities which support the District stakeholders' objectives.
- To support the physical development objectives incorporated in approved plans, especially the Comprehensive Plan.
- To assure the availability of public improvements to provide site opportunities to accommodate and attract private development consistent with approved development objectives.
- To improve financial planning by comparing needs with resources, estimating future bond issues, plus debt service and other current revenue needs; thus identifying future operating budget and tax rate implications.
- To establish priorities among projects so that limited resources are used to the best advantage.
- To identify, as accurately as possible, the impacts of public facility decisions on future operating budgets, in terms of energy use, maintenance costs, and staffing requirements among others.
- To provide a concise, central source of information on all planned rehabilitation of public facilities for citizens, agencies, and other stakeholders in the District.
- To provide a basis for effective public participation in decisions related to public facilities and other physical improvements.

Program Policies

The overall goal of the Capital Program is to preserve the District's capital infrastructure. Pursuant to this goal, projects included in the FY 2001 to FY 2006 CIP and FY 2001 Capital Budget support the following programmatic policies:

- Provide for the health safety and welfare needs of District residents.
- Provide and continually improve public educational facilities for District residents.
- Provide adequate improvement of public facilities.
- Provide and continually improve the District's public transportation system.
- Minimize the per capita debt of the District's residents.
- Support District economic and revitalization efforts generally and in targeted neighborhoods.
- Provide infrastructure and other public improvements that retain and expand business and industry.
- Increase employment opportunities for District residents.
- Promote mutual regional cooperation on area-wide issues, such as the Washington Area Metropolitan Transit Authority, Water and Sewer Authority, and solid-waste removal.
- Provide and continually improve public housing and shelters for the homeless.

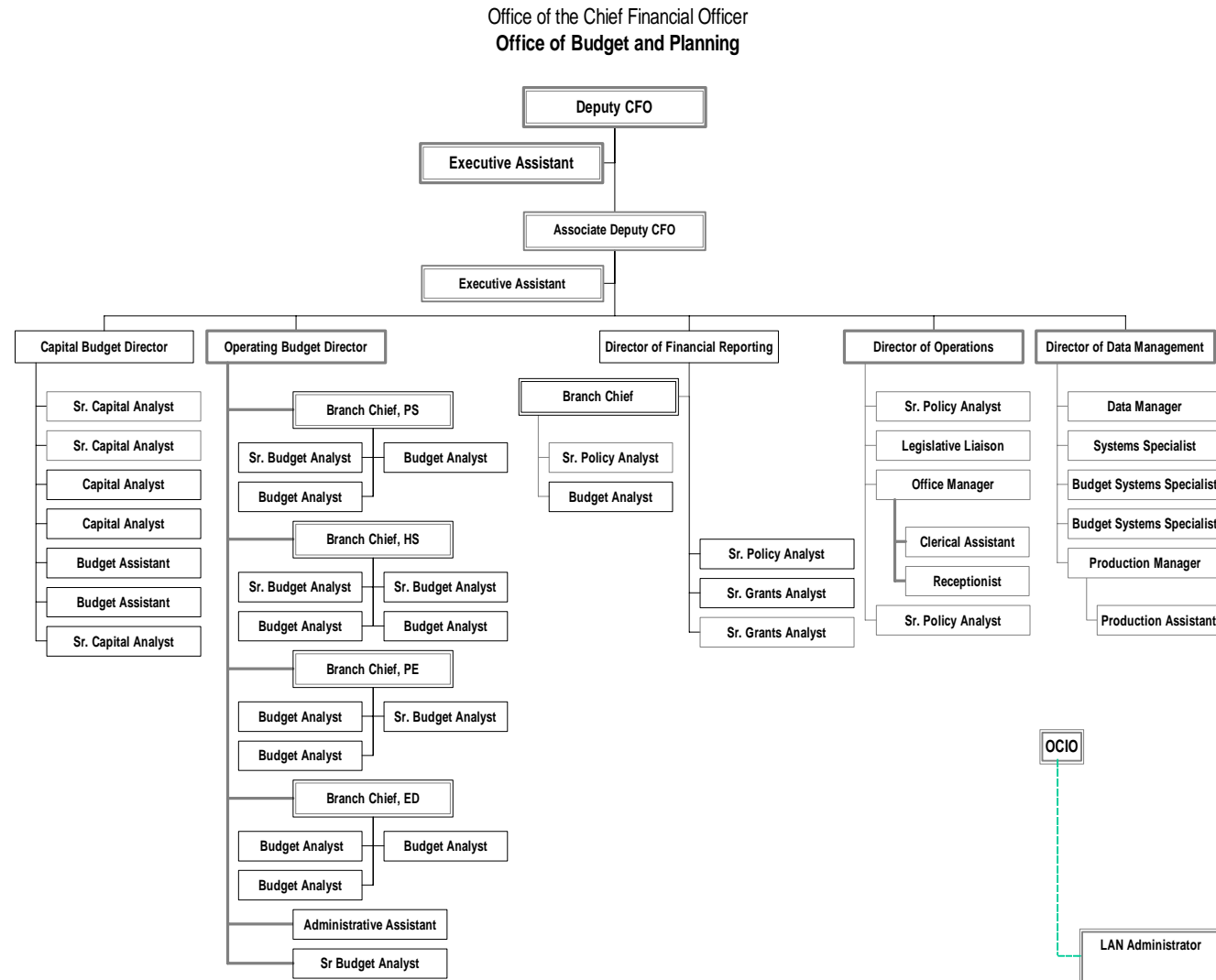
The Office of Budget and Planning

The Capital Program falls within the jurisdiction of the Office of Budget and Planning (OBP) under the Office of the Chief Financial Officer (OCFO). The mission of the OBP is as follows:

The Office of Budget and Planning is the principal advisor on the District's budget and has primary responsibility for the management of the Operating Budget. The OBP prepares, monitors, and analyzes and executes the District's budget including operating funds, capital funds, and enterprise funds in a manner that ensures fiscal integrity and maximizes services to taxpayers.

The OBP Capital Program consists of Eight full-time equivalents. The organizational chart of the OBP is provided on the following page:

Office of Budget and Planning Organizational Chart



History

The District's legal authority to initiate capital improvements began in 1790 when Congress enacted a law establishing the District of Columbia as the permanent seat of the federal government and authorized the design of the District and appropriate local facilities. The initial roads, bridges, sewers and water systems in the District of Columbia were installed to serve the needs of the federal government and were designed, paid for, and built by Congress. During the 1800's, the population and private economy of the federal District expanded sharply, and the local territorial government undertook a massive campaign to meet new demands for basic transportation, water, and sewer systems.

From 1874 to 1968, Commissioners who were appointed by the President and confirmed by Congress managed the District. One Commissioner, from the Corps of Engineers, was responsible for coordinating the maintenance and construction of all local public works, in accordance with annual budgets approved by the President and the Congress.

Legislation passed in the 1950's gave the District broader powers to incur debt and borrow from the United States Treasury. However, this authority was principally used for bridges, freeways, and water and sewer improvements. In 1967, the need for significant improvements in District public facilities was acknowledged. This awareness led to the adoption of a \$1.5 billion capital improvement program to build new schools, libraries, recreation facilities, and police and fire stations.

A Home Rule Act amendment in 1984 gave the District the authority to sell general obligation bonds to finance improvements to its physical infrastructure. To date, the District has issued in excess of \$3 billion of general obligation bonds to finance capital improvements in the District.

In September 1997, the President signed the National Capital Revitalization Act (the "Revitalization Act"). The Revitalization Act relieved the District of its corrections operations at Lorton Correctional Facility. It also transferred responsibility for funding the maintenance and operation of the D.C. Courts system to the Office of Management and Budget (OMB). The District will therefore not incur the significant capital expenditures required at these facilities. In return, the District will no longer receive a federal payment in lieu of taxes for these functions.

Furthermore, the Revitalization Act raised the percent of annual debt service payable from 14 percent to 17 percent of anticipated revenues in order to compensate the District for the loss of the Federal payment. The primary impact of the Revitalization Act was to increase the District's flexibility to finance capital requirements¹.

¹ For further information on the flexibility to finance capital requirements, see the FY 2001 Operating Budget introductory chapter entitled, "Financial Plan."

Legal Authority and Statutory Basis

There are three statutory requirements that form the legal authority and assign responsibility for the District's Capital Program. They are as follows:

District of Columbia Home Rule Act, P.L. 93-198, §444, 87 Stat. 800: The Mayor is directed to prepare a multi-year Capital Improvements Plan for the District which shall be based upon the approved current fiscal year budget and shall include the status, estimated period of usefulness, and total cost of each capital project on a full funding basis for which any appropriation is requested or any expenditure will be made in the forthcoming fiscal year and at least four fiscal years thereafter.

District of Columbia Financial Responsibility and Management Assistance Act, 109 Stat. 108, §201: Requires the Mayor to submit a financial plan and budget, which describes capital expenditures and projected capital commitments with proposed sources of funding.

District of Columbia Appropriations Act, 2000, P.L. 106-113, §113. (Approval November 29, 1999:) Requires the Mayor to develop an annual plan by project, for capital outlay borrowings.

Along with the above mentioned statutory requirements, the following Mayor's Order supplements the legal authority and assigns additional responsibility for the District's Capital Program:

Mayor's Order 84-87: Creates within the Office of Budget and Planning a Capital Program coordinating office to provide central oversight, direction, and coordination of the District's capital improvements program, planning, budgeting, and monitoring. The administrative order requires the Office of Budget and Planning to develop a CIP which identifies; the status, estimated period of usefulness, and total cost of each capital project on a fully funded basis for which any appropriation is requested or any expenditure will be made over the next six years and includes:

- An analysis of the CIP, including its relationship to other programs, proposals, or other governmental initiatives.
- An analysis of each capital project, and an explanation of a project's total cost variance of greater than five percent.
- Identification of the years and amounts in which: bonds would have to be issued, loans made, and costs actually incurred on each capital project identified to include applicable maps, graphics, or other media.